

India's share in fundraising via IPO route dips below 1%

Offerings by tech sector ruled the roost abroad but such listings were absent here: Experts

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Mumbai, 18 March

Global companies have raised far more money than Indian firms by selling shares to the public over the past few years. And, that trend is set to continue this year, too, marking the third consecutive year of decline in India's share of initial public offers (IPOs) relative to the rest of the world.

A *Business Standard* analysis of *Bloomberg* data shows the share has dropped from 6.06 per cent in the financial year 2017-18 (FY18) to just 0.98 per cent in FY21.

Deven Choksey, managing director of KRChoksey Investment Managers, said the decline reflected the lack of business confidence amid falling economic growth. Most companies were not looking to raise money as they were not expanding, he suggested. "That has changed," he said, adding that sentiment is more positive now.

Pranav Haldea, managing director at PRIME Database, said the pace of global fundraising has been robust in the past year, and the technology sector has been a stand out, but blockbuster technology offerings have been absent in India.

"Even the ones that are looking to



launch their IPO in the near future are looking at an overseas listing. The regulator is mindful of this and has been exploring ways to incentivise them to list in India," Haldea said.

The Securities and Exchange Board of India (Sebi) recently came out with a discussion paper to enable Indian start-ups to list locally. The consultation paper has sought to remove what has been seen as restrictive clauses for the listing of such companies. It has suggested changes, including allowing differential voting rights to could give some promoters or shareholders more voting rights than others, similar to a structure employed by social media giant Facebook.

"Special rights along with thresholds may be built into the offer document prior to listing so as to ensure

that all participating investors...get upfront information on such rights. Further, special rights may not be (open-ended)...with adequate checks and balances in terms of (coattail) provisions and a sunset clause," the Sebi consultation paper issued in December said.

A report, titled 'Global IPO trends', by consultancy firm EY for the December quarter noted how technology firms were dominating the IPO market.

"In this environment of low interest rates and expansionary monetary policies, 2020 equity markets have recovered to pre-pandemic levels and some even reached new heights. Global IPO markets have shown their resilience, supporting fast-growing and innovative companies...

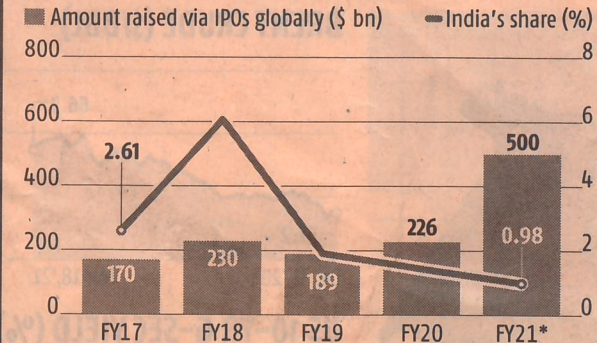
Technology was the most dominant sector in Q4CY20," it said.

The sector accounted for 23 per cent of total issues during the quarter and 35 per cent of money raised, said the report.

The number of similar technology companies-coming to the market in India have been limited, with gaming platform Nazara Technologies, whose IPO opened in March, being the exception.

The Sebi consultancy paper had noted the lack of traction despite earlier changes to the Innovators Growth Platform (IGP), which was set up for the public issues of such firms. "Despite aforesaid changes, the IGP could not get any traction and no listing by issuers have so far taken place on IGP platform," it had said.

HITTING THE MARKET



*Current year data based on latest available. Excludes closed-end funds, investment trust issuers, and self-offerings
Source: Bloomberg